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Caribbean Basin

Market Development Reports

Caribbean Basin Tourism Industry Highlights

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Approved by:

Margie Bauer

Caribbean Basin Agricultural Trade Office

Prepared by:

Rachel C. Benton

Report Highlights:

September 16 -22, 2001 was a devastating week for the Caribbean Basin tourism industry. The normal 40 to 90 percent hotel occupancy rate fell between zero to 20 percent within the region. Although the effects on U.S. agricultural exports are too early to determine, U.S. food service products will be the hardest hit.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Miami [C11], C1

Few immediate changes in U.S. agriculture exports to the Caribbean were seen last week (September 16 to 22, 2001) in light of last week's tragic events in New York, Washington DC, and Pennsylvania. U.S. agricultural exports into the region were \$1.7 billion in 2000 and were forecasted to increase by 1 percent this year. Many islands already feared a downturn in tourism as a result of the slowing U.S. economy. While importers are already slowing-down orders for the food service sector, very minimal signs on the retail sector have been noted. At this time, the market has not had enough time to completely react in order to fully estimate the future impact. Most governments, along with their business communities, are holding emergency meetings to devise strategies for continued and enhanced tourism business from North America, while others seek to keep their number of European tourists stable. In addition, governments have heightened security measures.

Not surprisingly, islands that have the highest percentage of U.S. tourists are feeling the most economic shocks. For example, Aruba, the Bahamas, Bermuda, Jamaica, St. Kitts, and Turks & Caicos have reported a significant decrease in hotel occupancy rates. The hotels are experiencing an average of zero to 20 percent occupancy rate this week, and are expecting an occupancy rate loss of roughly 50 to 80 percent for September.

All-inclusive hotels fared better than others, but foresee a more pronounced reduction of reservations within the coming weeks. One all-inclusive resort in the Turks & Caicos reported that 1800 of its intended 2000 guests did not arrive. The highest impact on hotel occupancy rates was felt in Bermuda, which normally averages 75 to 80 percent for the month. Last week the island was operating at less than 10 percent. Some Bermudian hotels are discussing an unprecedented full closure from October to the beginning of its next tourist season.

As a result of normal hotel occupancy rates falling from 60 to 15 percent last week, one major importer in the Bahamas reported a 60 percent decrease in perishable produce purchases. Another importer cut back the variety of items carried by 50 to 60 percent. Hotels have announced that they are adjusting to a reduced workweek and furloughing some employees. The general consensus in the Bahamas and other tourist dependent islands is that sizable layoffs of personnel by the hotels and many businesses contingent on the tourist trade are almost inevitable.

Mixed results have occurred within the islands that typically host European vacationers. St. Vincent and the Grenadines had a sizable fall-out. With a usual occupancy rate in one of the islands around 65 percent, nearly 70 percent of scheduled arrivals were withdrawn last week. However, Barbados, which has a ratio of 30 percent U.S. tourists versus 70 percent European visitors, has largely been unaffected by cancellations and all-inclusive hotel packages are doing well. No import decreases have been reported for Barbados. Other islands, which do not rely on tourism to uphold their local economies, such as Curacao and Trinidad & Tobago, find food imports almost unaffected by the recent events.

Product delivery has not been significantly affected, even as security at seaports and airports has tightened. Approximately, 90 to 95 percent of imported goods are transported through sea-going vessels. Caribbean importers are no longer experiencing delays in air shipments, even though the airlines warned that with U.S. passenger flights cancellations of up to 25 percent of their normal schedule, shippers and forwarders could find that shipments will take substantially longer to

reach their destinations. It is anticipated in Jamaica that delays, because of increased security measures in both sea-going and air transport, may further hinder U.S. product entry.